

VILLAGE OF ONSTED
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
FEBRUARY 28, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ONSTED	County LENAWEE
Fiscal Year End FEBRUARY 28, 2007	Opinion Date AUGUST 29, 2007	Date Audit Report Submitted to State AUGUST 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

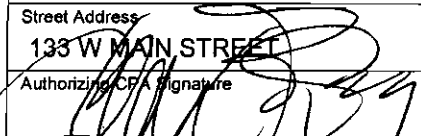
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY, CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Zip 49256	License Number 9223
Printed Name PHILIP R RUBLEY			

**VILLAGE OF ONSTED
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED FEBRUARY 28, 2007**

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VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Village of Onsted, Michigan government-wide basis. They are designed to present a longer-term view of the Village's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Village's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Village maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street and each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its wastewater and water operations.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, parks and recreation and community development. The business-type activities of the Village include water and waste water activities reflected in the utilities fund.

The government-wide financial statements include the primary government and its component unit - The Medical Clinic.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories; governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Village has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

The Village As A Whole

The Village's net assets for the year ended February 28, 2007 increased by .7.81% over the prior year.

The governmental activities reflect net assets of \$926,347 and the business-type (utilities) of \$973,234.

By far the largest portion of the Village's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

VILLAGE OF ONSTED NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
<u>Revenue</u>				
Program Revenue:				
Charges for Services	\$ 12,575	\$336,535	\$ 349,110	\$ 20,600
Operating Grants and Contributions	64,238	---	64,238	---
Capital Grants and Contributions	41,280	---	41,280	---
General Revenue:				
Property Taxes	200,760	---	200,760	---
Grants and Contributions Not Restricted To Specific Program	69,432	---	69,432	---
Other	<u>16,229</u>	<u>14,439</u>	<u>30,668</u>	<u>2,509</u>
Total Revenue	<u>404,514</u>	<u>350,974</u>	<u>755,488</u>	<u>23,109</u>
<u>Expenses</u>				
General Government	82,472	---	82,472	---
Public Safety	18,074	---	18,074	11,214
Public Works	115,722	---	115,722	---
Other Functions	41,168	---	41,168	---
Recreation and Culture	8,651	---	8,651	---
Interest on Long-Term Debt	---	39,026	39,026	---
Utilities Expenses	<u>---</u>	<u>312,748</u>	<u>312,748</u>	<u>---</u>
Total Expenses	<u>266,087</u>	<u>351,774</u>	<u>617,861</u>	<u>11,214</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	---	35,500	---	---
Transfer (Out)	<u>(35,500)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Other Financing Sources (Uses)	<u>(35,500)</u>	<u>35,500</u>	<u>---</u>	<u>---</u>
Increase (Decrease) In Net Assets	102,927	34,700	137,627	11,895
Net Assets Beginning of Year	<u>823,420</u>	<u>938,534</u>	<u>1,761,954</u>	<u>93,469</u>
Net Assets End of Year	<u>\$926,347</u>	<u>\$973,234</u>	<u>\$1,899,581</u>	<u>\$105,364</u>

VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

VILLAGE OF ONSTED NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
Current and Other Assets	\$623,217	\$ 794,781	\$1,417,998	\$ 75,764
Capital Assets	<u>322,339</u>	<u>904,823</u>	<u>1,227,162</u>	<u>29,600</u>
Total Assets	\$945,556	\$1,699,604	\$2,645,160	\$105,364
Long-Term Liabilities				
Outstanding	\$ ---	\$ 672,523	\$ 672,523	\$ ---
Other Liabilities	<u>19,209</u>	<u>53,847</u>	<u>73,056</u>	<u>---</u>
Total Liabilities	<u>19,209</u>	<u>726,370</u>	<u>745,579</u>	<u>---</u>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	322,339	556,969	879,308	29,600
Reserved	187,500	---	187,500	---
Unrestricted	<u>416,508</u>	<u>416,265</u>	<u>832,773</u>	<u>75,764</u>
Total Net Assets	\$926,347	\$ 973,234	\$1,899,581	\$105,364

Government Activities

Government activities increased the Village's net assets by \$102,927.

Business-Type Activities

Business-type activities increased the Village's net assets by \$34,700.

The Village's Funds

Our analysis of the Village's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

VILLAGE OF ONSTED
Management's Discussion and Analysis
February 28, 2007

General Fund Budgetary Highlights

There were minor differences between the original budget and amended budget.

Capital Assets And Debt Administration

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2007, amounted to \$1,201,831 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Long-term debt of the Village decreased by \$13,776 (see Note 8 of the basic financial statements). The Village issued new debt for \$350,000 for sewer expansion for the next coming year.

Economic Factors And Next Year's Budget And Rates

The Village's budget for 2007-2008 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 108 S. Main St., Onsted, Michigan 49265.

PHILIP R. RUBLEY

– Certified Public Accountant –

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

August 29, 2007

Honorable Mayor and Members
Of The Village Council
Village of Onsted
Onsted, MI 49265

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onsted, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Onsted, Michigan, management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onsted, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

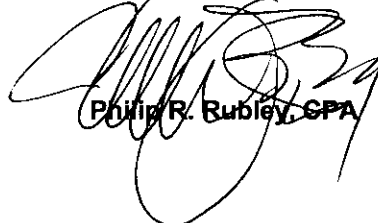
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Onsted, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Village of Onsted
August 29, 2007

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

VILLAGE OF ONSTED
Government-wide Statement of Net Assets
February 28, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>Assets</u>				
Cash and Equivalents	\$547,239	\$ 794,781	\$1,342,020	\$ 75,764
Receivables - Net	29,627	40,871	70,498	---
Prepaid Items and Other Assets	19,449	11,362	30,811	---
Internal Balances	26,902	(26,902)	---	---
Capital Assets Not Being Depreciated	32,500	51,655	84,155	5,000
Capital Assets Being Depreciated - Net	<u>289,839</u>	<u>827,837</u>	<u>1,117,676</u>	<u>24,600</u>
Total Assets	<u>945,556</u>	<u>1,699,604</u>	<u>2,645,160</u>	<u>105,364</u>
<u>Liabilities</u>				
Accounts Payable and Accrued Expenses	19,209	53,847	73,056	---
Long-Term Liabilities:				
Due Within One Year	---	14,630	14,630	---
Due In More Than One Year	<u>---</u>	<u>657,893</u>	<u>657,893</u>	<u>---</u>
Total Liabilities	<u>19,209</u>	<u>726,370</u>	<u>745,579</u>	<u>---</u>
<u>Net Assets</u>				
Invested In Capital Assets, Net of Related Debt	322,339	556,969	879,308	29,600
Reserved	187,500	---	187,500	---
Unrestricted	<u>416,508</u>	<u>416,265</u>	<u>832,773</u>	<u>75,764</u>
Total Net Assets	<u>\$926,347</u>	<u>\$ 973,234</u>	<u>\$1,899,581</u>	<u>\$105,364</u>

VILLAGE OF ONSTED
Government-wide Statement of Activities
For The Year Ended February 28, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Primary Government</u>					
<u>Governmental Activities:</u>					
General Government	\$ 82,472	\$ 12,575	\$ ---	\$40,000	\$ (29,897)
Public Safety	18,074	---	---	---	(18,074)
Public Works	115,722	---	64,238	1,280	(50,204)
Other Functions	41,168	---	---	---	(41,168)
Recreation and Culture	8,651	---	---	---	(8,651)
Transfer Out	<u>35,500</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(35,500)</u>
Total Governmental Activities	<u>301,587</u>	<u>12,575</u>	<u>64,238</u>	<u>41,280</u>	<u>(183,494)</u>
<u>Business-Type Activities:</u>					
Utilities	312,748	336,535	---	35,500	59,287
Interest on Debt	<u>39,026</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(39,026)</u>
Total Business-Type Activities	<u>351,774</u>	<u>336,535</u>	<u>---</u>	<u>35,500</u>	<u>20,261</u>
Total Primary Government	<u>\$653,361</u>	<u>\$349,110</u>	<u>\$64,238</u>	<u>\$76,780</u>	<u>\$ (163,233)</u>
<u>Component Unit –</u>					
<u>Medical Unit:</u>	<u>\$ 11,214</u>	<u>\$ 20,600</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 9,386</u>
Total Component Unit	<u>\$ 11,214</u>	<u>\$ 20,600</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 9,386</u>

VILLAGE OF ONSTED
Government-wide Statement Of Activities (Concluded)
For The Year Ended February 28, 2007

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>Changes In Net Assets</u>				
Net (Expense) Revenue	\$ (183,494)	\$ 20,261	\$ (163,233)	\$ 9,386
General Revenues:				
Property Taxes	200,760	---	200,760	---
Grants and Contributions				
Not Restricted To				
Specific Programs	69,432	---	69,432	---
Unrestricted Investment				
Earnings and Rentals	<u>16,229</u>	<u>14,439</u>	<u>30,668</u>	<u>2,509</u>
Total General Revenues, Contributions and Transfers	<u>286,421</u>	<u>14,439</u>	<u>300,860</u>	<u>2,509</u>
Change In Net Assets	102,927	34,700	137,627	11,895
Net Assets, Beginning of Year	<u>823,420</u>	<u>938,534</u>	<u>1,761,954</u>	<u>93,469</u>
Net Assets, End of Year	<u>\$ 926,347</u>	<u>\$973,234</u>	<u>\$1,899,581</u>	<u>\$105,364</u>

VILLAGE OF ONSTED
Governmental Funds
Balance Sheet
February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$238,749	\$250,382	\$52,085
Prepaid Expenses	17,755	1,235	450
Receivables - Net	29,627	---	---
Due From Other Funds	<u>27,846</u>	<u>395</u>	<u>3,650</u>
Total Assets	<u>\$313,977</u>	<u>\$252,012</u>	<u>\$56,185</u>
<u>LIABILITIES</u>			
Accounts Payable/Accrued Liabilities	\$ 18,892	\$ 298	\$ 19
Due to Other Funds	4,045	---	---
Deferred Revenue	<u>697</u>	<u>---</u>	<u>---</u>
Total Liabilities	<u>23,634</u>	<u>298</u>	<u>19</u>
<u>FUND BALANCES</u>			
Unreserved	290,343	64,214	56,166
Reserved	<u>---</u>	<u>187,500</u>	<u>---</u>
Total Fund Balances	<u>290,343</u>	<u>251,714</u>	<u>56,166</u>
Total Liabilities and Fund Balances	<u>\$313,977</u>	<u>\$252,012</u>	<u>\$56,185</u>

The notes to financial statements are an integral part of this statement.

**Other
Non-Major
Governmental
Funds**

\$6,023

\$6,023

\$ ---
935

935

5,088

5,088

\$6,023

**Total
Governmental
Funds**

\$547,239
19,440
29,627
31,891

\$628,197

\$ 19,209
4,980
697
24,886

415,811
187,500
603,311

\$628,197

VILLAGE OF ONSTED
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
February 28, 2007

Fund Balances – Total Governmental Funds	\$ 603,311
---	-------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital Assets	954,877
----------------------------	---------

Deduct: Accumulated Depreciation	(632,538)
---	-----------

Deferred Revenue – Taxes	<u>697</u>
--------------------------	------------

Net Assets of Governmental Activities	<u>\$ 926,347</u>
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VILLAGE OF ONSTED
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For The Year Ended February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
<u>REVENUES</u>			
Taxes	\$200,708	\$ ---	\$ ---
Intergovernmental	69,432	49,975	14,263
Charges for Services	2,935	---	---
Interest and Rentals	13,291	2,044	891
Contributions	40,000	---	---
Other	9,530	222	---
Cable Vision Franchise Fee	<u>3,347</u>	<u>---</u>	<u>---</u>
Total Revenue	<u>339,243</u>	<u>52,241</u>	<u>15,154</u>
<u>EXPENDITURES</u>			
Current:			
General Government	81,097	---	---
Public Safety	18,074	---	---
Public Works	56,524	34,095	7,323
Other Functions	41,168	---	---
Recreation and Culture	5,194	---	---
Capital Outlay	<u>40,000</u>	<u>4,398</u>	<u>---</u>
Total Expenditures	<u>242,057</u>	<u>38,493</u>	<u>7,323</u>
Excess of Revenue Over (Under) Expenditures	97,186	13,748	7,831
Other Financing Sources (Uses)			
Transfers In	---	---	---
Transfers (Out)	<u>(35,500)</u>	<u>---</u>	<u>---</u>
Total Other Financing Sources (Uses)	<u>(35,500)</u>	<u>---</u>	<u>---</u>
Net Change in Fund Balances	61,686	13,748	7,831
Fund Balances -- Beginning of Year	<u>228,657</u>	<u>237,966</u>	<u>48,335</u>
Fund Balances -- End of Year	<u>\$290,343</u>	<u>\$251,714</u>	<u>\$56,166</u>

The notes to financial statements are an integral part of this statement.

**Other
Non-Major
Governmental
Funds**

**Total
Governmental
Funds**

\$ ---

3
1,280

1,283

\$200,708
133,670
2,935
16,229
41,280
9,752
3,347
407,921

237
1,580
1,817

81,097
18,074
97,942
41,168
5,431
45,978
289,690

(534)

118,231

(35,500)
(35,500)

(534)

82,731

5,622

520,580

\$5,088

\$603,311

VILLAGE OF ONSTED
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
February 28, 2007

Net Change In Fund Balances – Total Governmental Funds

\$ 82,731

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital Outlay

44,398

Deduct: Depreciation Expense

(20,795)

Revenue - deferred on fund statements part of revenue on government-wide

52

Accounts receivable adjustments for government-wide

(3,459)

Change In Net Assets Of Governmental Activities

\$102,927

VILLAGE OF ONSTED
Statement of Net Assets
Proprietary Funds
February 28, 2007

	Business-Type Activities - Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Utilities Fund</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$147,986	\$ 646,795	\$ 794,781
Due from Other Funds	16,620	17	16,637
Accounts Receivable	10,261	30,184	40,445
Interest Receivable	---	426	426
Prepaid Expenses	5,681	5,681	11,362
Non-Current Assets:			
Property and Equipment - Net	<u>252,590</u>	<u>626,902</u>	<u>879,492</u>
Total Noncurrent Assets	<u>252,590</u>	<u>626,902</u>	<u>879,492</u>
Total Assets	<u>\$433,138</u>	<u>\$1,310,005</u>	<u>\$1,743,143</u>
Liabilities			
Current Liabilities:			
Due to Other Funds	\$ 27,167	\$ 16,372	\$ 43,539
Accounts Payable and Accrued Liabilities	3,782	50,065	53,847
Notes Payable, Current Portion	<u>---</u>	<u>14,630</u>	<u>14,630</u>
Total Current Liabilities	<u>30,949</u>	<u>81,067</u>	<u>112,016</u>
Non-Current Liabilities:			
Notes Payable	<u>---</u>	<u>657,893</u>	<u>657,893</u>
Total Noncurrent Liabilities	<u>---</u>	<u>657,893</u>	<u>657,893</u>
Total Liabilities	<u>30,949</u>	<u>738,960</u>	<u>769,909</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	252,590	304,379	556,969
Unrestricted	<u>149,599</u>	<u>266,666</u>	<u>416,265</u>
Total Net Assets	<u>\$402,189</u>	<u>\$ 571,045</u>	<u>\$ 973,234</u>

VILLAGE OF ONSTED
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities - Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Utilities Fund</u>
Operating Revenues			
Charges for Services	\$ 83,676	\$252,594	\$336,270
Liabilities			
Salaries and Wages	22,771	36,377	59,148
Fringe Benefits	8,186	14,912	23,098
Office Expenses	332	315	647
Contractual Services/Supplies, Etc.	6,315	102,211	108,526
Utilities	10,613	19,316	29,929
Depreciation	14,638	71,985	86,623
Other Expenses	3,595	1,182	4,777
Total Operating Expenses	<u>66,450</u>	<u>246,298</u>	<u>312,748</u>
Operating Income (Loss)	<u>17,226</u>	<u>6,296</u>	<u>23,522</u>
Non-Operating Revenues (Expenses)			
Investment Income	3,925	10,514	14,439
Interest Expense	---	(39,026)	(39,026)
Other	125	140	265
Total Non-Operating Revenues (Expenses)	<u>4,050</u>	<u>(28,372)</u>	<u>(24,322)</u>
Other Financing Sources (Uses)			
Transfers In	---	35,500	35,500
Transfers (Out)	---	---	---
Total Other Financing Sources (Uses)	<u>---</u>	<u>35,500</u>	<u>35,500</u>
Income	21,276	13,424	34,700
Net Assets, Beginning of Year	<u>380,913</u>	<u>557,621</u>	<u>938,534</u>
Net Assets, End of Year	<u>\$402,189</u>	<u>\$571,045</u>	<u>\$973,234</u>

VILLAGE OF ONSTED
Statement of Cash Flows
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities		
	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Utilities Fund</u>
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 86,254	\$ 244,199	\$ 330,453
Cash Received Miscellaneous	125	140	265
Cash Payment to Suppliers For Goods and Services/Employees	<u>(53,052)</u>	<u>(153,875)</u>	<u>(206,927)</u>
Net Cash Provided (Used)	<u>33,327</u>	<u>90,464</u>	<u>123,791</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of Capital Assets	---	(31,315)	(31,315)
Notes Principal Payments	---	(13,776)	(13,776)
Notes Interest Payments	---	(20,659)	(20,659)
Fund Transfers	---	35,500	35,500
Issuance of New Debt	<u>---</u>	<u>350,000</u>	<u>350,000</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>---</u>	<u>319,750</u>	<u>319,750</u>
Cash Flows From Investing Activities			
Investment Income	<u>3,925</u>	<u>11,703</u>	<u>15,628</u>
Net Cash Provided (Used) by Investing Activities	<u>3,925</u>	<u>11,703</u>	<u>15,628</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,252	421,917	459,169
Cash and Cash Equivalents, Beginning of Year	<u>110,734</u>	<u>224,878</u>	<u>335,612</u>
Cash and Cash Equivalents, End of Year	<u>\$147,986</u>	<u>\$ 646,795</u>	<u>\$ 794,781</u>

VILLAGE OF ONSTED
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities - Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Utilities Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 21,276	\$ 31,791	\$ 53,067
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,638	71,985	86,623
Changes in Assets and Liabilities:			
Accounts Receivable	2,578	(8,395)	(5,817)
Accounts Payable, Accrued Liabilities, Bonds Current Portion	2,797	25,415	28,212
Other Assets	<u>(4,037)</u>	<u>(3,788)</u>	<u>(7,825)</u>
Net Cash Provided (Used) by Operating Activities	<u>37,252</u>	<u>117,008</u>	<u>154,260</u>
Cash Flows from Capital Activities:			
Acquisition of Capital Assets	<u>---</u>	<u>(31,315)</u>	<u>(31,315)</u>
Net Cash (Used) from Capital Activities	<u>---</u>	<u>(31,315)</u>	<u>(31,315)</u>
Cash Flows From Financing Activities:			
Principal Paid on Notes	<u>---</u>	<u>(13,776)</u>	<u>(13,776)</u>
Issuance of New Debt	<u>---</u>	<u>350,000</u>	<u>350,000</u>
Net Cash (Used) from Financing Activities	<u>---</u>	<u>336,224</u>	<u>336,224</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,252	421,917	459,169
Cash and Cash Equivalents, Beginning of Year	<u>110,734</u>	<u>224,878</u>	<u>335,612</u>
Cash and Cash Equivalents, End of Year	<u>\$147,986</u>	<u>\$646,795</u>	<u>\$794,781</u>

VILLAGE OF ONSTED
Fiduciary Funds – State of Net Assets
February 28, 2007

	Trust and Agency Fund
<u>Assets</u>	
Cash and Cash Equivalents	\$ 10
Total Assets	<u>\$ 10</u>
<u>Liabilities</u>	
Due to Other Funds	\$ 10
Total Liabilities	<u>\$ 10</u>

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Onsted, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Village of Onsted, Michigan is governed by an elected council. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The Local Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following component unit:

The Component Unit - The Medical Clinic is a separate entity, considered a component unit of the Village, which operates and rents the medical building in Onsted, Michigan. The financial reporting is on a modified accrual method of accounting.

The government reports the following major proprietary funds:

The Utilities Fund, Water and Sewer Funds accounts for acquisition, operation and maintenance of the Village's waste water and water system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Funds are charges to customers for sales and services. The Utilities Funds are also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months to six months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Balance at February 28, 2007 consists of major street improvements.
7. **Interfund Receivables and Payables** – Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of January of each year, the Village Council presents the proposed budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Village Council.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

B. Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended February 28, 2007, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Treasurer	\$ 5,000	\$ 5,139	\$ 139
Capital Outlay	---	40,000	40,000
Clerk	10,950	11,139	189
Public Safety:			
Inspections	---	208	208
Transfer Out	---	35,500	35,500

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

	<u>Category</u> <u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Cash and Cash Equivalents	\$175,764	\$1,242,030	\$ ---	\$1,417,794	\$1,417,794
	<u>\$175,764</u>	<u>\$1,242,030</u>	<u>\$ ---</u>	<u>\$1,417,794</u>	<u>\$1,417,794</u>

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village's deposits are as follows:

<u>Deposits</u>	<u>Carrying</u> <u>Amount</u>
Insured (FDIC) (FSLIC)	\$ 175,764
Uninsured:	
Uncollateralized	<u>1,242,030</u>
Total	<u>\$1,417,794</u>

Component unit cash is all insured by FDIC for \$75,764 and Trust and Agency is \$10. These amounts are included in the totals above.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended February 28, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 32,500	\$ ---	\$ ---	\$ 32,500
Capital Assets, Being Depreciated:				
Buildings	111,310	40,000	---	151,310
Equipment	35,681	---	---	35,681
Infrastructure	580,488	4,398	---	584,886
Vehicles	150,500	---	---	150,500
Total Capital Assets Being Depreciated	877,979	44,398	---	922,377
Less: Accumulated Depreciation For:				
Buildings	(57,136)	(2,627)	---	(59,763)
Equipment	(8,999)	(2,208)	---	(11,207)
Infrastructure	(436,208)	(8,260)	---	(444,468)
Vehicles	(109,400)	(7,700)	---	(117,100)
Total Accumulated Depreciation	(611,743)	(20,795)	---	(632,538)
Total Capital Assets, Being Depreciated, Net	266,236	23,603	---	289,839
Governmental Activities Capital Assets, Net	\$ 298,736	\$ 23,603	\$ ---	\$ 322,339
 <u>Component Unit - Medical Clinic</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 5,000	\$ ---	\$ ---	\$ 5,000
Capital Assets, Being Depreciated:				
Buildings	144,912	---	---	144,912
Total Capital Assets Being Depreciated	144,912	---	---	144,912
Less: Accumulated Depreciation For:				
Buildings	(116,956)	(3,356)	---	(120,312)
Total Accumulated Depreciation	27,956	(3,356)	---	24,600
Total Capital Assets, Being Depreciated, Net	27,956	(3,356)	---	24,600
Component Activities Capital Assets, Net	\$ 32,956	\$ (3,356)	\$ ---	\$ 29,600

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 51,655	\$ ---	\$ ---	\$ 51,655
Capital Assets, Being Depreciated:				
Plant and Equipment	2,873,250	31,315	---	2,904,565
Total Capital Assets Being Depreciated	2,873,250	31,315	---	2,904,565
Less Accumulated Depreciation For:				
Plant and Equipment	(1,990,105)	(86,623)	---	(2,076,728)
Total Accumulated Depreciation	(1,990,105)	(86,623)	---	(2,076,728)
Total Capital Assets, Being Depreciated, Net	883,145	(55,308)	---	827,837
Business Type Activities Capital Assets, Net	\$ 934,800	\$ (55,308)	\$ ---	\$ 879,492

Depreciation expense was charged to functions/programs of the Village as follows:

Governmental Activities:

General Government	\$ 1,375
Public Works	17,780
Recreation and Culture	1,640
Total Depreciation Expense Governmental Activities	\$20,795

Component Unit – Medical Clinic **\$ 3,356**

Business-Type Activities:

Utilities – Water and Sewer	\$86,623
Total Depreciation Expense Business-Type Activities	\$86,623

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At February 28, 2007, the following were interfund receivables and payables in the fund statement, which represents advance monies to be repaid on a short term basis.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$27,846	\$ 4,045
Park Improvement Fund	---	935
Local Street Fund	3,650	---
Major Street Fund	395	---
Water Fund	16,620	27,167
Sewer Fund	17	16,371
Trust Fund	---	10
	<u>\$48,528</u>	<u>\$48,528</u>

NOTE 6 – TRANSFERS

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Street Fund	\$ ---	\$35,500
Local Street Fund	<u>35,500</u>	<u>---</u>
	<u>\$35,500</u>	<u>\$35,500</u>

NOTE 7 – PROPERTY TAXES:

The Village collects its own property taxes within its jurisdiction. Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

NOTE 8 – LONG TERM DEBT

Long-term debt consists of the following:

	Balance March 1, 2006	Additions	Deletions	Balance February 28, 2007
Notes Payable - Onsted State Bank - Sewer Extension	\$ 96,061	\$ ---	\$ 5,262	\$ 90,799
Notes Payable - 2006 General Obligation Limited Tax Note	---	350,000	---	350,000
Notes Payable - Onsted State Bank - Sewer Extension	<u>240,238</u>	<u>---</u>	<u>8,514</u>	<u>231,724</u>
Total	<u>\$336,299</u>	<u>\$350,000</u>	<u>\$13,776</u>	<u>\$672,523</u>

Village of Onsted – Sewer Extension Note

Title of Note: Village of Onsted Sewer Extension

Purposes: Sewer Extension

Date of Note: July 9, 2001

Interest Rate: 6.5%

Payments: \$11,506 including interest annually

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
October 2, 2007	\$ 11,506	\$ 5,604	\$ 5,902	\$ 85,195
October 2, 2008	11,506	5,968	5,538	79,227
October 2, 2009	11,506	6,356	5,150	72,871
October 2, 2010	11,506	6,769	4,737	66,102
October 2, 2011	11,506	7,209	4,297	58,893
October 2, 2012	11,506	7,678	3,828	51,215
October 2, 2013	11,506	8,177	3,329	43,038
October 2, 2014	11,506	8,708	2,798	34,330
October 2, 2015	11,506	9,274	2,232	25,056
October 2, 2016	11,506	9,877	1,629	15,179
October 2, 2017	11,506	10,519	987	4,660
October 2, 2018	<u>4,963</u>	<u>4,660</u>	<u>303</u>	<u>---</u>
Total	<u>\$131,529</u>	<u>\$90,799</u>	<u>\$40,730</u>	

Balance outstanding at February 28, 2007

\$90,799

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

Village of Onsted – Sewer Extension Note

Title of Note: Village of Onsted Sewer Extension
Purposes: Sewer Extension
Date of Note: March 12, 2002
Interest Rate: 6.0%
Payments: \$22,930 including interest annually

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
March 12, 2007	\$ 22,930	\$ 9,026	\$ 13,904	\$222,696
March 12, 2008	22,930	9,568	13,362	213,128
March 12, 2009	22,930	10,142	12,788	202,986
March 12, 2010	22,930	10,750	12,180	192,236
March 12, 2011	22,930	11,395	11,535	180,841
March 12, 2012	22,930	12,079	10,851	168,762
March 12, 2013	22,930	12,804	10,126	155,958
March 12, 2014	22,930	13,572	9,358	142,386
March 12, 2015	22,930	14,386	8,544	128,000
March 12, 2016	22,930	15,249	7,681	112,751
March 12, 2017	22,930	16,164	6,766	96,587
March 12, 2018	22,930	17,134	5,796	79,453
March 12, 2019	22,930	18,162	4,768	61,291
March 12, 2020	22,930	19,252	3,678	42,039
March 12, 2021	22,930	20,407	2,523	21,632
March 12, 2022	22,930	21,634	1,296	---
Total	<u>\$366,880</u>	<u>\$231,724</u>	<u>\$135,156</u>	

Balance outstanding at February 28, 2007 \$231,724

Village of Onsted – 2006 General Obligation Limited Tax Note

Title of Note: Village of Onsted 2006 General Obligation Limited Tax Note
Purposes: Waste Water Improvements and Expansion
Date of Note: December 13, 2006
Maturity Date: May 1, 2008
Interest Rate: 5.46%
Payments: Interest only until maturity
Amount of Note: \$350,000

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
May 1, 2007	\$ 7,326	\$ ---	\$ 7,326	\$350,000
November 1, 2007	9,555	---	9,555	350,000
May 1, 2008	359,555	350,000	9,555	---
Total	<u>\$376,436</u>	<u>\$350,000</u>	<u>\$26,436</u>	

Balance outstanding at February 28, 2007 \$350,000

VILLAGE OF ONSTED
Notes to Financial Statements
February 28, 2007

Maturities of Long-Term Debt

Maturities for the next five years of long-term debt are as follows:

<u>Years</u>	<u>Amounts</u>
2008	\$ 14,630
2009	365,536
2010	16,498
2011	18,604
2012	19,757
There After	<u>237,498</u>
	<u>\$672,523</u>

NOTE 9 – PENSION PLAN

The Village of Onsted contributes to SEP for eligible individuals.

NOTE 10 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2007, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

VILLAGE OF ONSTED
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$179,977	\$187,058	\$228,657	\$ 41,599
<u>Resources (Inflows)</u>				
Taxes and Assessments	195,000	195,000	200,708	5,708
Intergovernmental	70,000	70,000	69,432	(568)
Charges for Services	---	---	2,935	2,935
Interest and Rentals	17,000	17,000	13,291	(3,709)
Contributions	---	---	40,000	40,000
Cable Vision Franchise Fee	3,000	3,000	3,347	347
Other	2,800	2,800	9,530	6,730
 Amounts Available for Appropriation	 <u>467,777</u>	 <u>474,858</u>	 <u>567,900</u>	 <u>93,042</u>
 <u>Charges to Appropriations (Outflows)</u>				
<u>General Government</u>				
Village Office	63,100	63,100	42,804	20,296
Treasurer	5,000	5,000	5,139	(139)
Clerk	10,950	10,950	11,139	(189)
Elections	750	750	---	750
Professional Services	11,000	14,000	8,528	5,472
Buildings and Grounds	22,600	22,600	13,487	9,113
 <u>Public Safety</u>				
Police	12,000	12,000	12,000	---
Crossing Guards	6,000	6,000	5,866	134
Inspections	---	---	208	(208)
 <u>Community Promotion and Economic Development</u>	 1,000	 1,000	 ---	 1,000
 <u>Recreation and Culture</u>				
Parks and Recreation	---	10,000	---	10,000
Community Promotion	15,000	15,000	1,694	13,306
Library	3,500	3,500	3,500	---
 <u>Public Works</u>				
Street Lighting	13,000	13,000	12,823	177
Sanitation	30,000	30,000	28,073	1,927
Operations & Maintenance	223,377	217,458	15,628	201,830
 <u>Other Functions</u>	 50,500	 50,500	 41,168	 9,332
 <u>Capital Outlay</u>	 ---	 ---	 40,000	 (40,000)
 <u>Transfer Out</u>	 ---	 ---	 35,500	 (35,500)
 Total Charges to Appropriations	 <u>467,777</u>	 <u>474,858</u>	 <u>277,557</u>	 <u>197,301</u>
 Ending of Year Fund Balance	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$290,343</u>	 <u>\$290,343</u>

VILLAGE OF ONSTED
Budgetary Comparison Schedule
Major Street Fund (Major Special Revenue Fund)
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$250,883	\$250,883	\$237,966	\$(12,917)
Resources (Inflows)				
Intergovernmental	50,000	50,000	49,975	(25)
Interest Income	1,500	1,500	2,044	544
Miscellaneous	<u>---</u>	<u>---</u>	<u>222</u>	<u>222</u>
Amounts Available for Appropriation	<u>302,383</u>	<u>302,383</u>	<u>290,207</u>	<u>(12,176)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	302,383	302,383	34,095	268,288
Capital Outlay	<u>---</u>	<u>---</u>	<u>4,398</u>	<u>(4,398)</u>
Total Charges to Appropriations	<u>302,383</u>	<u>302,383</u>	<u>38,493</u>	<u>263,890</u>
Ending of Year Fund Balance (Deficit)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$251,714</u>	<u>\$251,714</u>

VILLAGE OF ONSTED
Budgetary Comparison Schedule
Local Street Fund (Major Special Revenue Fund)
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$43,229	\$43,229	\$48,335	\$ 5,106
<u>Resources (Inflows)</u>				
Intergovernmental	14,000	14,000	14,263	263
Interest Income	250	250	891	641
Transfer from Major Street Fund	<u>11,500</u>	<u>11,500</u>	<u>---</u>	<u>(11,500)</u>
<u>Amounts Available for Appropriation</u>	<u>68,979</u>	<u>68,979</u>	<u>63,489</u>	<u>(5,490)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	66,279	66,279	7,323	58,956
Capital Outlay	<u>2,700</u>	<u>2,700</u>	<u>---</u>	<u>2,700</u>
<u>Total Charges to Appropriations</u>	<u>68,979</u>	<u>68,979</u>	<u>7,323</u>	<u>61,656</u>
<u>Ending of Year Fund Balance</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$56,166</u>	<u>\$ 56,166</u>

VILLAGE OF ONSTED
Combining Balance Sheet
Non-Major Governmental Funds
February 28, 2007

Special Revenue Funds

	Park Improvement Fund
<u>Assets</u>	
Cash	<u>\$6,023</u>
Total Assets	<u>\$6,023</u>
<u>Liabilities and Fund Balances</u>	
<u>Liabilities</u>	
Due to Other Funds	<u>\$ 935</u>
Total Liabilities	<u>935</u>
<u>Fund Balance</u>	<u>5,088</u>
Total Liabilities And Fund Balances	<u>\$6,023</u>

VILLAGE OF ONSTED
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended February 28, 2007

Special Revenue Funds

	Park Improvement Fund
<u>Revenues:</u>	
Contributions - Other	\$ 280
Contribution - Cambridge Township	1,000
Interest Income	<u>3</u>
Total Revenue	<u>1,283</u>
<u>Expenditures:</u>	
Recreation and Culture	237
Recreation - Capital Outlay	<u>1,580</u>
Total Expenditures	<u>1,817</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(534)</u>
<u>Beginning Fund Balance</u>	<u>5,622</u>
<u>Ending Fund Balance</u>	<u>\$5,088</u>

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
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& THE MICHIGAN ASSOCIATION OF C.P.A.'s

August 29, 2007

**Honorable Mayor and Members
Of The Village Council
Village of Onsted
Onsted, Michigan 49265**

We have examined the financial statements of the Village of Onsted, Michigan as of and for the year ended February 28, 2007 and have issued our report thereon dated August 29, 2007. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Village's system of internal accounting control for the year ended February 28, 2007, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governances in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected.

Based on the criteria we have no comments.

OTHER MATTERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **CHART OF ACCOUNTS**

The account numbers need to be updated to conform to the State Uniform Chart of Accounts, this has been corrected partly at year end.

2. **FIXED ASSETS**

The Village needs to keep track of disposed items each year to properly maintain their fixed assets schedules established.

3. **GENERAL LEDGER**

Each fund maintained by the Village must balance independently. The over all general ledger balances, but not the individual funds which it is made up of. Be sure that entries are balanced between each fund.

4. **BUDGETING**

Major improvements have occurred in your process, however you need to review your budget to actual costs, monthly, etc. and make necessary adjustments, more frequently.

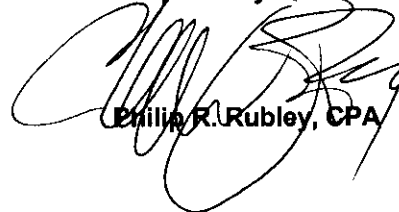
5. **SEWER FUND**

Consider review rates and costs for sewer fund. You should not have to continue to support the sewer fund with general fund revenues.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated August 29, 2007, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA